

STATE OF SOUTH CAROLINA

(Caption of Case)

Petition to Establish Docket to Consider Implementing
the Requirements of:

Section 1307 (State Consideration of Smart Grid) and
Section 532 (Energy Efficiency Programs) of the
Energy Independence & Security Act of 2007

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2008 - 447 - EG

(Please type or print)

Submitted by: Sue-Ann Gerald ShannonSC Bar Number: 71181Telephone: 803-799-9800Fax: 803-753-3219Address: McNair Law Firm, P.A.P O Box 11390Columbia, SC 29211

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition☐ Request for item to be placed on Commission's Agenda expeditiously☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input type="checkbox"/> Request
<input checked="" type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Oder	<input type="checkbox"/> Other: _____
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

Print Form

Reset Form

August 4, 2009

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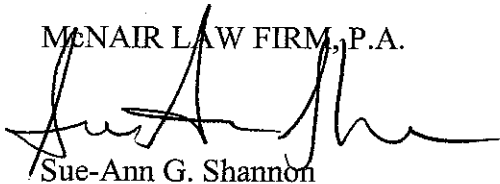
**Re: Petition to Establish Docket to Consider Implementing the
Requirements of: Section 1307 (State Consideration of Smart Grid)
and Section 532 (Energy Efficiency Programs) of the Energy
Independence & Security Act of 2007
Docket No. 2008-447-EG**

Dear Mr. Terreni:

Enclosed for filing please find prefiled Direct Testimony of Bryan D. Stone on behalf of Lockhart Power Company in the above-referenced docket. By copy of this letter and certificate of service, a copy is being served on all parties of record.

Sincerely,

MENAIR LAW FIRM, P.A.



Sue-Ann G. Shannon

Enclosures

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BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2008-447-EG

IN RE:

Petition to Establish Docket to)
Consider Implementing the)
Requirements of:)
)
Section 1307 (State Consideration)
of Smart Grid) and Section 532)
(Energy Efficiency Programs) of)
the Energy Independence &)
Security Act of 2007)
_____)

DIRECT TESTIMONY OF
BRYAN D. STONE
ON BEHALF OF
LOCKHART POWER COMPANY

1 **Q. Please state your name, business address, present position, and responsibilities.**

2 A. My name is Bryan D. Stone. My business address is Lockhart Power Company,
3 Post Office Box 10, 420 River Street, Lockhart, South Carolina 29364. I am Chief
4 Operating Officer of Lockhart Power Company. In this role, I have responsibility
5 for the company's overall performance and management.

6

7 **Q. Pleas summarize your educational background and professional experience.**

8 A. I have earned both the Bachelor of Science in Electrical Engineering Degree and the
9 Master of Science in Electrical Engineering Degree from the Georgia Institute of
10 Technology, as well as the Master of Business Administration Degree from the
11 University of Florida. I am a registered Professional Engineer in the state of Florida.

12

13 I began my professional career in 1990 as a Project Engineer at a 500⁺ employee
14 chemical fertilizer company near Tampa, Florida. My responsibilities involved
15 implementing electrical and instrumentation ("E&I") projects, including those
16 associated with the nearly 40 MW cogeneration plant used to convert waste process
17 heat to electricity. In 1996, I accepted a similar position at a much larger company
18 in rural northern Florida. While my responsibilities were similar in nature, the scope
19 was much larger, since the new employer had 1,200⁺ employees in two chemical
20 complexes (each with its own cogeneration plant) and a mining operation, all within
21 the same county. In 2000, I was promoted to E&I Maintenance Superintendent,
22 with responsibilities for the E&I Department including more than 70 E&I
23 technicians and salaried employees. I had the additional responsibilities of Power

1 Manager, which ultimately included managing over \$50 million in combined power
2 purchases and sales. In this capacity, I worked with representatives of all classes of
3 customers, utilities, and legislators on a variety of power-related issues.

4
5 I joined Lockhart Power Company ("Lockhart" or "the Company") in April 2006.
6 My responsibilities include overseeing all operations, maintenance, cost control,
7 strategic, and general business and management aspects of the Company.

8
9 **Q. On whose behalf are you testifying today before this Commission?**

10 A. I am presenting testimony today on behalf of Lockhart Power Company.

11
12 **Q. What is the purpose of your testimony?**

13 A. My testimony will provide a brief overview of Lockhart and present its position with
14 respect to the Commission's consideration of implementing energy efficiency
15 programs and smart grid investments, as provided for in the federal Energy
16 Independence and Security Act of 2007. Lockhart applauds this Commission and
17 the South Carolina Office of Regulatory Staff in working to advance healthy
18 solutions to ensure South Carolina enjoys reliable, efficient, and competitively-
19 priced energy to meet our existing and future needs.

20
21 **Q. Please provide an overview of Lockhart Power Company.**

22 A. Lockhart Power Company was incorporated in 1912 by an act of the South Carolina
23 legislature. Its service area spans parts of five counties: Union, Spartanburg,

1 Cherokee, Chester and York. It serves approximately 6,700 customers, through the
2 effort of forty (40) employees. In addition, the Company serves one wholesale
3 customer, the City of Union. The Company has 18 MW of hydroelectric generation
4 on the Broad River in Lockhart, South Carolina, which is also the location of its
5 business offices. Lockhart also owns a 0.8 MW hydroelectric generation facility on
6 the Pacolet River in Pacolet, SC. Lockhart purchases most of the power needed to
7 serve its remaining load from Duke Energy at a wholesale rate approved by the
8 Federal Energy Regulatory Commission (FERC). Small amounts of power are also
9 purchased at avoided cost from the City of Union. The costs of all of this purchased
10 power are charged to Lockhart's customers via a flow-through purchased power
11 adjustment clause. Lockhart does not mark up the cost for this power, which is a
12 significant percentage of its operating costs.

13
14 **Q. Does Lockhart support implementation of energy efficiency resources and**
15 **deployment of smart grid technologies?**

16 A. Yes, Lockhart Power supports energy efficient programs, as well as deployment of
17 smart grid technologies and investments. Our primary concern lies in ensuring that
18 such programs and investments are implemented in such a way so as avoid
19 subjecting our small rate base of customers to unnecessary or unjustifiable,
20 burdensome rate increases. In fact, Lockhart has already made substantial economic
21 investments in opportunities to offer its customers cost savings. Most recently, for
22 example, Lockhart has purchased hydroelectric and diesel generation in order to
23 reduce the cost of purchased power for its customers.

1

2 **Q. Would you please describe Lockhart's position in this docket?**

3 A. Any action taken by this Commission should keep in mind three tenets. One, it
4 should provide fair, relaxed regulatory treatment, especially to smaller providers
5 such as Lockhart, and allow for certainty in the recovery of investment by providers
6 in technologies or programs, especially for those that might be considered
7 "pioneering," unproven, or "cutting edge." In addition, utilities should be able to
8 recover the costs of equipment rendered obsolete by the deployment of smart grid or
9 energy efficient programs or technologies. Moreover, utility incentives should be
10 established, with any economic disincentives removed, so as to encourage
11 deployment of energy efficient and smart grid resources. For instance, various
12 incentives such as grant programs for small utilities that wish to adopt appropriate
13 smart grid technologies should be considered.

14

15 Two, it should protect our ratepayers from unacceptably high price increases by
16 ensuring that the goals of advancing energy efficient technologies and energy
17 conservation programs will not be undermined by collateral cost increases, thereby
18 offsetting any economic or societal benefits. For instance, digitization of the grid
19 system and the constant receiving and sending of information through the systems
20 could generate massive amounts of data. Data storage systems may need to be
21 evaluated and possibly upgraded. Moreover, we could see increased energy
22 consumption to store, analyze, and turn the data into operational information,
23 thereby spending more to gain less benefit.

1

2 Finally, it should avoid the use of specific mandates with respect to particular
3 technologies. In the event that mandates are imposed, consideration for providers
4 with a smaller rate base and fewer personnel resources should be taken into account.

5

6 **Q. What is Lockhart Power asking for this Commission to do in this docket?**

7 A. Due to our smaller number of total customers, lean organizational structure, and
8 limited geographic service area as compared to other utilities operating within the
9 state, Lockhart simply wishes to ensure that any action taken will not result in an
10 unjustifiable increased burden on our small rate base of customers.

11

12 **Q. Does this conclude your testimony?**

13 A. Yes, it does.

14

Docket No. 2008-447-EG

Section 1307 (State Consideration of Smart Grid) and Section 532 (Energy Efficiency Programs) of the Energy Independence & Security Act of 2007

CERTIFICATE OF SERVICE

I, Betty Y. Wheeler, do hereby certify that I have this date served one (1) copy of the Direct Testimony of Bryan D. Stone on behalf of Lockhart Power Company upon the following parties of record by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as follows

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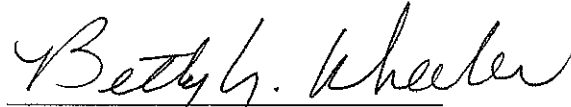
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August 4, 2009

Columbia, South Carolina